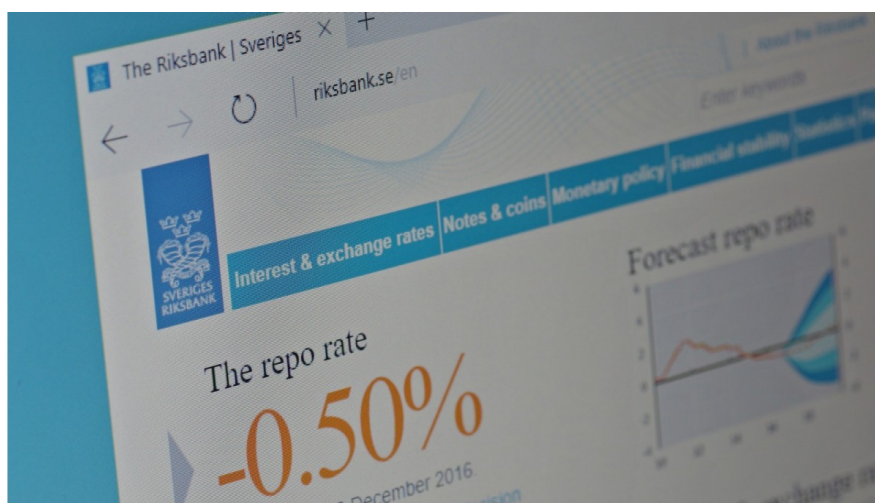


## Sweden: the Riksbank keeps its options open

The Riksbank maintains a dovish bias while awaiting the ECB's tapering decision



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As expected, the Riksbank left policy unchanged this morning. No new QE purchases were announced and the interest rate remains at -0.5%. The forecast for interest rates is also unchanged (first increase in mid-2018).

The forecast for output and inflation were kept largely unchanged, with inflation adjusted down by 0.1pp for 2017 and 2018 to 1.9% and 1.8% respectively and GDP growth down by 0.3pp to 2.9 in 2017, but up by 0.2pp to 2.9 in 2018.

The policy statement maintained dovish language, emphasizing the need to consolidate inflation around the target before starting to remove stimulus. The Riksbank explicitly postponed a final decision on further QE until December. It also extended a mandate for swift intervention in the FX market, which has not been used but may have some signaling value in helping to keep the currency from appreciating rapidly.

If, as expected, the domestic data remains strong and the major central banks gradually tighten policy, an extremely loose monetary stance in Sweden will become increasingly hard to defend. We think it unlikely that QE purchases will be extended in December, and expect the Riksbank to stick to its current forecast of starting to raise rates in summer 2018.

